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DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY
REFER TO

AQOC

MAR 19 1997

**MEMORANDUM FOR COMMANDERS, DCMC CONTRACT ADMINISTRATION
OFFICES**

**SUBJECT: DCMC Memorandum No. 97- 31 , DCMC Administration of Small Dollar Contracts
(INFORMATION)**

This is an INFORMATION memorandum. Target Audience: all DCMC Employees.

It is a given within the Department of Defense (DoD) that the warfighting arsenal needs to be modernized. Acquisition reform has been and continues to be seen as a primary way to produce savings that become the funds to pay for this modernization. One of the thrusts of acquisition reform is to emulate commercial practices (whether buying commercial or noncommercial items). Employing commercial practices is seen as a way to streamline the acquisition process, thereby reducing time and costs to buy and deliver essential items to the warfighter. Numerous statutory and regulatory changes provided authorities for DoD to make broad use of commercial practices and DoD leadership is naturally interested in ensuring that these authorities are being used so that the intended outcome-more resources for modernization - is achieved.

With the above in mind, DoD has been looking at the techniques used on procurements that might be expected to most benefit from commercial buying practices, i.e., smaller dollar procurements for spare and repair parts. In particular there is interest in understanding why smaller dollar contracts need to be administered by DCMC. This interest in offsite support to the buying activity extends to our partner, the Defense Finance and Accounting Service (DFAS), which has separate divisions to pay the contracts that we administer using MOCAS. The fee that DFAS charges the Military Departments for "MOCAS" payments is higher than the fees charged for payments from other automated systems. Although DCMC is not fee-for-service, there is a cost to DoD for us to be involved in contracts and we need to demonstrate our value-added support.

First, some rumor control. DCMC is not getting out of the business of administering smaller contracts, nor are we going to refuse to administer contracts under a certain dollar value. We have consistently said, and will continue to say, that we will support any PCO/PM request for our support, regardless of (1) the dollar value of the contract, (2) whether the support requested is full contract administration or a delegation, e.g., source inspection/acceptance, and (3) paying office designated on the contract. This notwithstanding, we do have a responsibility



to ensure our support is value added to DoD and to work with buying activities to use our services wisely. To remove any perception that our value is tied to numbers of contracts, the Commander, DCMC has tasked the HQ staff to change the Right Efficiency metric (currently contracts per FTE). The new metric has not yet been finalized.

The interest in what happens on smaller contracts is currently being pursued along several avenues which are described in the attachment to this memorandum. We want to ensure we keep you informed of what is taking place so you will understand the ramifications. We are also providing weekly status reports to the Under Secretary of Defense (Comptroller) on the activities we are pursuing. Please do not hesitate to call us if you need additional information or want to discuss any of the information in this letter. We will provide periodic updates on progress and results.

The leadership of the DoD highly regards our efforts, but we must continue to find ways to improve our business practices and demonstrate our formidable talents. For further information, please contact Col (Sel) Ed Burckle at (703) 767-7306.


JILL E. PETTIBONE
Executive Director
Contract Management Policy

Attachment

Administered In MOCAS, Paid Elsewhere.

In general, contracts administered by DCMC are paid by a specific division within DFAS Columbus. This partnering is institutionalized in the DoD Directory of Contract Administration Services Components, DLAH 4150.4 and allows payment and administration by a common automated management information system--Mechanization of Contract Administration Services (MOCAS). Contracts not administered by DCMC are paid from the system used to award the contract. The fee for DFAS to pay from MOCAS is higher than the fee for DFAS to pay from the contract system that awarded the contract. For this reason the Director of DFAS asked the Director of DLA to remove smaller dollar contracts from MOCAS for payment in order to save DLA money on DFAS invoice charges.

We want to continue to provide support to buying activities on contracts, regardless of dollar value, and use MOCAS for contract administration. Therefore, contracts paid in other systems would have to reside in MOCAS as Other Disbursing Office (ODO) contracts. DoD will realize savings due to the lower charge per invoice in non-MOCAS systems. We are currently pursuing this option with the DLA Supply Centers and their Headquarters. We have initiated a systems change to SAMMS which will permit ODOs to automatically populate MOCAS, thereby mitigating the manual impact of ODOs. When the system change is programmed, we will change the CAS Directory to allow fixed priced contracts under \$100,000 (i.e., CAR PART B contracts), without financing or repricing to be paid in SAMMS and administered in MOCAS as ODOs. We expect the Military Services to likewise determine the cost effectiveness of retaining the payment function of smaller dollar contracts.

Other Assistance To Assist DFAS In MOCAS Payments.

We are already inputting ACO modifications. Currently we are testing CAO input of contracts and PCO modifications at 13 offices. Results will be briefed to the Commander, DCMC and the Director, DFAS in early April. DFAS and the Under Secretary of Defense (Comptroller) have been advised that any expansion of the input to other DCMC offices will require additional resources.

At the request of the USD(C), DCMC is also planning to test DCMC use of credit cards to pay for contracts we administer. Test will be conducted on 6 contracts at 4 offices (Bell, New York, Stratford, and Baltimore-Manassas) starting in April. Use of credit cards to purchase goods and services is a commercial practice that is being pushed very heavily by DoD. However, buying activities are reluctant to use credit cards to buy goods and services that require terms and conditions (like source inspection/acceptance), so our test will see if the use of credit cards can be harnessed to streamline the payment mechanism.

Maximize Our Value Added.

As previously noted, we have a responsibility to ensure that what we are doing on contracts is needed and that buying activities are using our services wisely. To this end, there is a small team of HQ, District, and CAO personnel who are visiting 5 CAOs who administer a lot of contracts for DLA (Dayton, Birmingham, Philadelphia, Van Nuys, and Santa Ana) to get first-hand information on the types of activities we engage in on smaller contracts. We believe the preponderance of these orders are for military hardware coded "critical" by the military departments and require DCMC administration to ensure our warfighters receive products that will not fail on the battlefield. The team is also looking at whether buying activities are using our services wisely and whether we can recommend more efficient business practices within DoD.